GOVERNMENT OF INDIA
RURAL DEVELOPMENT
LOK SABHA

UNSTARRED QUESTION NO:4174
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POOR IMPLEMENTATION OF SGSY
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Will the Minister of RURAL DEVELOPMENT be pleased to state:

(a) whether the Government is aware that Swaranjayanti Gram Swarozgar Yojana (SGSY) is not being implemented upto the expectations due to poor response of Banks in granting loans;

(b) if so, the details thereof;

(c) whether any appraisal has been made about the implementation of this Yojana;

(d)if so, the findings thereof; State-wise;

(e)whether the Government proposes to review the guidelines of the SGSY for its fullest and satisfactory implementation; and

(f)if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF RURAL DEVELOPMENT (SHRIMATI SURYAKANTA PATIL)

(a) & (b) The Swaranjayanti Gram Swarozgar Yojana (SGSY) is a credit-cum-subsidy scheme. While subsidy is only a minor and enabling component, Credit is a critical component of the scheme that envisages involvement of the banking sector. The banks, however, have generally not been able to meet the credit disbursement targets under the scheme. The matter has been regularly taken up with the RBI and the Ministry of Finance at various levels. These measures have resulted in a credit mobilisation of 77% of the target during the financial year 2006-07.

(c)&(d) The details of evaluations/studies of the scheme as well as their findings relevant to the involvement of banks are given under. The findings are not state specific but provide an overall picture.

(1)As per the findings of the concurrent evaluation on SGSY (2002-03); major complaints reported by the District authorities with respect to the banking system include non co-operation of the banks (58.18%), delays inherent in bank`s procedures (53.54%), delay in the disbursement of the assistance (50.73%).

(2)A study was also conducted by the NIRD in 2005. As per the study,

(i) the banks were willing to assist the activities for which the infrastructure, asset insurance, clusters viability and assured market was well developed (like in dairy, sheep, goat, irrigation, agriculture and land development etc.) compared to the other artisan-based or manufacturing activities.

(ii) Most of the banks were following unprescribed credit ceiling limit to some activities. This was resulting in under- financing, particularly in artisan-based activities such as handlooms, handicrafts etc.

(iii) In 30% of the cases, the banks were squaring up the loan transactions and did not follow the 3-year lock-in period stipulation.

(3)The National Institute of Bank Management (NIBM) has undertaken an Action Research Project during the year 2003-04 for developing a prototype for SGSY in selected districts of nine states with various commercial banks. The Study revealed that

(i) Higher NPA level and lower yield discourage branch managers for disbursement of credit under SGSY scheme.

(ii) Branches follow traditional lending methods based on tangible security rather than microfinance approach emphasizing collateral substitute, mainly because branch managers do not consider them as viable clients.

(iii) Declared rate of interest under the SGSY scheme varied between 8 to 14 percent per annum which is at par with the priority sector lending and

(iv) Majority of branches charge interest on total outstanding amount include subsidy, which should normally be excluded for calculating interest.

(e) & (f) Yes Sir. The Ministry is currently undertaking an exercise to review the SGSY guidelines so as to implement the scheme better.